

**COMMONWEALTH OF MASSACHUSETTS
OFFICE OF THE SECRETARY OF THE COMMONWEALTH
SECURITIES DIVISION
ONE ASHBURTON PLACE, ROOM 1701
BOSTON, MASSACHUSETTS 02108**

IN THE MATTER OF:

LPL FINANCIAL LLC,

RESPONDENT.

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CONSENT ORDER

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Docket No. R-2016-0095

This Consent Order (“Order”) is entered into by the Massachusetts Securities Division of the Office of the Secretary of the Commonwealth (“Division”) and LPL Financial LLC (“LPL” or “Respondent”) arising out of an ongoing investigation by the Registration, Inspections, Compliance and Examinations Section (the “RICE Section”). On May 2, 2017, LPL submitted an Offer of Settlement (“Offer”) to the Division. Solely for the purpose of this matter’s resolution, LPL neither admits nor denies the Statement of Facts set forth in Section V and the Violations of Law set forth in Section VI, and consents to the entry of a Consent Order (“Order”) by the Division, consistent with the language and terms of the Offer, settling the claims brought thereby with prejudice.

I. JURISDICTION AND AUTHORITY

1. As provided for by the Act, the Division has jurisdiction over matters relating to securities pursuant to chapter 110A of Massachusetts General Laws.
2. The RICE Section brings this action pursuant to the authority conferred upon the Division by Sections 407A, 204, and 414 of the Act, wherein the Division has the authority to conduct an adjudicatory proceeding to enforce the provisions of the Act and the Regulations.

II. RELEVANT TIME PERIOD

3. Except as otherwise expressly stated, the conduct described herein occurred during the approximate time period of December 27, 2011 to the present (the "Relevant Time Period").

III. RESPONDENT

4. LPL Financial LLC ("LPL") is a broker-dealer and investment adviser with headquarters in Boston, Massachusetts. LPL has a Financial Industry Regulatory Authority ("FINRA") Central Registration Depository ("CRD") number of 6413. LPL has been registered as a broker-dealer with Massachusetts since 1981 and has been notice filed with Massachusetts as a federally registered investment adviser since 1994.

IV. RELATED PARTY

5. DCU Financial is an unaffiliated DBA entity used by LPL financial advisors to offer financial services, including LPL business on Digital Federal Credit Union premises ("DCU Financial").
6. Digital Federal Credit Union ("Credit Union") is a credit union with 18 branches located in Massachusetts. LPL entered into a networking arrangement with the Credit Union on September 16, 2009.

V. STATEMENT OF FACTS

A. BACKGROUND

1. Networking Arrangements

7. LPL, the largest third party broker-dealer in the United States, services more banks and credit unions, and supports more financial advisers than any other independent broker-dealer. LPL

has networking arrangements with twenty-six financial institutions in Massachusetts, eleven of which are credit unions.¹

8. Networking agreements between LPL and financial institutions allow LPL representatives to conduct business on financial institution premises, in exchange for providing the financial institution with a percentage of their gross-dealer concessions (“GDC”) that LPL representatives earn from selling products at financial institution branches.
9. LPL entered into a networking arrangement with the Credit Union in 2009 when LPL and the Credit Union executed the Financial Institution Services Agreement (“FIS Agreement”). In 2011, LPL, an independent Office of Supervisory Jurisdiction (“OSJ”), and the Credit Union executed an amendment to the FIS Agreement (“FIS Amendment”) that designated the OSJ of the branch office locations and financial advisors associated with the Credit Union’s non-deposit investment program (“the Credit Union Program”).
10. Pursuant to the FIS Agreement, the Credit Union received a payout rate related to annual gross commissions generated by LPL financial advisors at the Credit Union. Previously, when LPL served as the OSJ of the Credit Union Program, the Credit Union’s payout rate was 2% less than the payout under the later agreement.

2. RICE Section’s Investigation

11. The RICE Section has found that LPL has failed to reasonably supervise financial advisors operating on Credit Union premises.
12. In addition, the RICE Section has determined that LPL did not reasonably supervise certain compensation for its LPL financial advisors on the Credit Union premises.

¹ A credit union that offers securities on its premises must structure such business in compliance with applicable guidance, including the National Credit Union Administration Letter to Credit Unions 10-FCU-03 and Interagency Statement on Retail Sales of Nondeposit Investment Products (“Interagency Statements”), which both also reference the Division of Market Regulation of the U.S. Securities and Exchange Commission’s (“SEC”) No-Action Letter in Chubb Securities Corporation, 1993.

13. Finally, the RICE Section has determined that LPL failed to reasonably supervise certain aspects of disclosures related to its business conducted on the Credit Union premises. Such disclosures included communications that may have led to confusion regarding the nature of the relationship between the LPL's financial advisors' DBA DCU Financial and the Credit Union. LPL has done this by allowing its financial advisors to use a DBA substantially the same as the Credit Union's name, by allowing inadequate signage at one of the Credit Union's branches, by allowing inconsistent disclosure on LPL financial advisors' business cards, and by failing to prevent or detect an LPL financial advisor from making misleading statements concerning compensation related to securities transactions.

3. The Program Manager developed and implemented certain aspects of LPL financial advisors' compensation

14. The Program Manager developed and implemented certain aspects of LPL financial advisors' compensation without LPL review or approval notwithstanding the obligation of the financial institution to notify LPL of compensation, as set forth in the FIS agreement.
15. The Program Manager determined LPL financial advisors' starting payout rate. The commission structure effective in 2012 states that "[LPL financial advisors] start each calendar year at 28%, unless otherwise determined by the Director."
16. Testimony from an LPL financial advisor indicated that the Program Manager made a determination to start him at a different rate than was outlined in the commission structure as he started at 27%.
17. The Program Manager also created certain bonuses based on GDC.
18. In 2012, the Program Manager emailed LPL financial advisors and stated that she "along with the Credit Union's Senior Management designed and implemented a new Success Sharing plan for [LPL financial advisors]" ("2012 Success Sharing Bonus"). The 2012

Success Sharing Bonus was a bonus program just for LPL financial advisors based solely off commissions LPL financial advisors generated, which was separate from the Success Sharing Goals bonus program offered to all Credit Union employees during the other years of the Relevant Time Period (“Success Sharing Goals”).

B. LPL FAILED TO REASONABLY SUPERVISE THE PAYMENT OF CERTAIN BONUSES AND ACCOMPANYING SALES CONTESTS

19. Testimony from LPL financial advisors indicated that LPL financial advisors at the Credit Union solely conduct LPL business.
20. When the Division asked an LPL financial advisor if he has any responsibilities as a Credit Union employee that do not involve LPL business, he testified “[n]ot that I know of, no.”
21. Compensation paid to LPL financial advisors from the Credit Union was in connection with LPL securities business.
22. The Credit Union offered various bonuses and incentives to financial advisors based on commissions they generated without LPL review or approval, notwithstanding the obligation of the financial institution to notify LPL of compensation based solely on GDC, as set forth in the FIS agreement.
23. LPL financial advisors received certain bonuses and incentives tied to GDC from the Credit Union that could potentially influence LPL financial advisors’ sales practices.

1. DCU Award for Top Performer

24. The Credit Union informed the Division that LPL financial advisors may have received a gift certificate up to \$250 in value for being a Top Performer. One of the Top Performer metrics included how much GDC was generated.
25. LPL was not aware of this payment.
26. As a result, LPL had inadequate supervisory oversight or role in managing this incentive.

27. LPL did nothing to manage the inherent conflict of interest created by the gift certificates to ensure investment recommendations were not colored by the conflict created by them.

2. Success Sharing Goals Bonus Program & Accompanying Sales Contest

28. From 2009 through 2011, the Credit Union offered cash bonuses in the form of Success Sharing Goals to all Credit Union employees, including LPL financial advisors.
29. However, after 2012 the Credit Union implemented the 2012 Success Sharing Bonus program that was just for LPL financial advisors based solely on commissions they generated.
30. The Credit Union was required to provide LPL the compensation plan and its amendments pursuant to the FIS Amendment.
31. The Credit Union did not include the cash payments from the 2012 Success Sharing Bonus in the compensation plan or its amendments that were provided to LPL.²
32. In addition, none of the compensation plans effective during the Relevant Time Period included Success Sharing Goals cash bonus, despite LPL financial advisors receiving cash bonuses pursuant to Success Sharing Goals prior to and after 2012.
33. LPL requires that cash bonuses paid to LPL financial advisors that are based solely on commissions must be included in compensation plans.
34. After 2011, which the Program Manager described as a “challenging year,” the Credit Union implemented a new bonus program just for LPL financial advisors based solely off commissions they generated.
35. In 2012, the Program Manager recognized the Credit Union’s need to generate \$3,000,000 in revenue by the end of the year. The Program Manager stated that she was “concerned that

² Compensation plans were provided by the Credit Union separately from the FIS Agreement and FIS Amendment in the form of Commission Structures that were effective during the Relevant Time Period.

the new [LPL financial advisors] are not ramping up quickly enough to provide a significant contribution to our revenue goal this year.”

36. To remedy this problem, the Program Manager stated that she “incorporated... revenue levels numbers and bonus amounts for levels 1-3 as [a Credit Union executive] suggested.”
37. The Program Manager created individual goals for LPL financial advisors with a Credit Union executive’s help.
38. The Program Manager continued by stating that LPL financial advisors would have “individual goals for 2012 that are very achievable...which gets us to \$3,000,000.” The Program Manager presented a Credit Union executive with several different revenue level targets, and the Credit Union settled on Plan A, which topped out at a ten percent bonus for achieving \$3,000,000 in revenue.
39. In an August 2012 sales management summary to all LPL financial advisors, the Program Manager stated that LPL financial advisors would “need to bring in \$258,600 monthly” until the end of the year to at least hit Level 5, in order for LPL financial advisors to receive a 7.5% cash bonus. To hit this goal, the Credit Union decided to run a sales contest for September 2012 in which LPL financial advisors would need to “bring in 125% of their individual monthly production goal” that the Credit Union set (“September Sales Contest”). Each LPL financial advisor had a preset target.

LPL Financial Advisor	Personal Target
Advisor 1	\$65,104.17
Advisor 2	\$57,291.67
Advisor 3	\$36,458.33
Advisor 4	\$23,437.50
Advisor 8	\$23,437.50
Advisor 5	\$18,750.00
Advisor 7	\$18,750.00
Advisor 9	\$18,750.00
Advisor 6	\$18,750.00
Total: \$280,729.17	

40. The Program Manager directed an LPL financial advisor to run the September Sales Contest and track the revenue generated by LPL financial advisors on Credit Union premises.
41. Most LPL financial advisors exceeded their monthly production goals and four LPL financial advisors exceeded 125% of their September Sales Contest goal, which was heralded by the Program Manager as an “outstanding accomplishment.”

LPL Financial Advisor	Contest Target	Final	Difference	Percent of Monthly Goal
Advisor 1	\$65,104.17	\$74,946.00	\$ (9,841.83)	144%
Advisor 2	\$57,291.67	\$53,807.00	\$3,484.67	117%
Advisor 3	\$36,458.33	\$55,641.00	\$ (19,182.67)	191%
Advisor 5	\$18,750.00	\$18,608.00	\$142.00	124%
Advisor 7	\$18,750.00	\$20,851.00	\$ (2,101.00)	139%
Advisor 4	\$23,437.50	\$28,017.00	\$ (4,579.50)	149%
Advisor 9	\$18,750.00	\$14,569.00	\$4,181.00	97%
Advisor 8	\$23,437.50	\$21,358.00	\$2,079.50	114%
Advisor 6	\$18,750.00	\$5,888.00	\$12,862.00	39%
	\$280,729.17	\$293,726.00	\$ (12,996.83)	131%

42. Based on the success of the September Sales Contest, the Program Manager implemented another sales contest in November that ran through the end of 2012 (“November Sales Contest”).
43. She directed another LPL financial advisor to run the November Sales Contest.
44. The LPL financial advisor emailed all of the LPL financial advisors on Credit Union premises that “[the Program Manager] and I have preset goals for each advisor.” He stated that LPL financial advisors needed to bring in “\$340,000 of GDC in December to achieve Level 5 [2012 Success Sharing Bonus]” or rather to receive a 7.5% cash bonus. The financial advisor continued his email stating that generating that much commissions in a single month had “been done once in the history of the program here at DCU Financial.”

45. The financial advisor continued to email LPL financial advisors about the November Sales Contest requesting that LPL financial advisors send him their commissions numbers so that he could track them. In an effort to generate as much commissions as possible during the November Sales Contest, the financial advisor circulated a goal tracking spreadsheet titled "DCU Financial Final Push."
46. The Credit Union's efforts were successful as the Program Manager informed LPL financial advisors at the end of the November Sales Contest in a December 2012 sales management summary that "December was one of the largest GDC months in the history of the program."
47. While the Credit Union presented the September Sales Contest reward for LPL financial advisors as Formula 1 racing³ and the November Sales Contest reward as bowling, the real reward for the September Sales Contest and the November Sales Contest was the year-end 7.5% cash bonus LPL financial advisors received, which was far above the \$75 and \$35 value of racing and bowling.
48. In connection with the September Sales Contest and the November Sales Contest LPL financial advisors received cash bonuses of:

LPL Representative	Dollar Amount Received
Advisor 1	\$18,612.00
Advisor 2	\$15,999.00
Advisor 3	\$11,999.00
Advisor 4	\$8,228.00
Advisor 5	\$7,347.00
Advisor 6	\$5,804.00
Advisor 7	\$5,354.00
Advisor 8	\$4,744.00
Advisor 9	\$3,328.00
Advisor 10	\$1,746.00
Total: \$83,161.00	

³ F1 Boston located at 290 Wood Road Braintree, MA 02184, <http://www.f1boston.com/>.

49. The financial advisor discussed the cash reward of the November Sales Contest when he sent an email to all LPL financial advisors, with the subject line "DCU Financial Sales Contest" and stated that "meeting [the goal for the November Sales Contest] would mean a bonus of 7.5% at the end of the year versus a 5.0% bonus."
50. In another email, another LPL financial advisor sent an email to all LPL financial advisors with the subject line "RE: DCU Financial Sales Contest" and reminded them that during the September Sales Contest achieving their monthly production goal of "125% gets us to our goals and a higher success sharing bonus."
51. The Program Manager praised the LPL financial advisor in his performance review for his "significant contribution to our Success Sharing Goal" during the September Sales Contest.
52. The Program Manager also praised the other financial advisor in his performance review stating "[the financial advisor] also led a sales contest in the fourth quarter which helped the team to focus on achieving level 5 of success sharing."
53. However, the Program Manager failed to caution LPL financial advisors about the conflicts of interests the Credit Union created.
54. An example of the potential harm of these unsupervised conflicts was the fact that the September Sales Contest and the November Sales Contest occurred at the same time as a wave of layoffs at a major technology company.
55. The sales contests pushed LPL financial advisors to reach the year-end bonus goals during a time when some of the LPL financial advisors were discussing with the company employees moving their early retirement packages to LPL.
56. In an email, another LPL financial advisor, indicated that during the September Sales Contest she was concerned her "[technology company] numbers from the layoffs won't show for

September.” The LPL financial advisor also noted “however, I have a few tricks up my sleeve and want to win one of these contests.”

57. By the end of the September Sales Contest, the LPL financial advisor exceeded her September Sales Contest goal by 191%.

C. LPL FAILED TO ADEQUATELY REVIEW ALL MATERIAL USED BY ITS FINANCIAL ADVISORS TO PROMOTE AND ADVERTISE LPL’S BROKERAGE SERVICES INCLUDING THE DBA NAME, BUSINESS CARDS, AND BRANCH SIGNAGE

58. Digital Federal Credit Union and investors typically refer to the Credit Union as “DCU.” Notwithstanding, LPL approved a DBA name DCU Financial, that is essentially the same as the Credit Union’s trade name “DCU.”
59. LPL allowed its financial advisors located on Credit Union premises to circulate inconsistent and confusing business cards.
60. LPL maintained inadequate branch signage at one branch location for the Credit Union.
61. LPL failed to detect or prevent its financial advisor from making misleading statements to RICE examiners about LPL financial advisors compensation.

1. LPL approved a DBA name DCU Financial, which is essentially the same as the Credit Union’s trade name “DCU”

62. LPL financial advisors provided LPL financial services at Credit Union branches under the “doing business as” name “DCU Financial.”
63. The Credit Union holds a trademark of a stylized version of “DCU”.⁴
64. The DBA uses the Credit Union’s trademark in all its advertising material for DCU Financial.
65. The Credit Union typically refers to itself as DCU yet LPL financial advisors used the DBA DCU Financial when conducting securities business.

⁴ Trademark Registration Number: 2392480.

66. References to DCU Financial are in certain forms of written communication to potential investors.
67. In addition, the Credit Union's website (<https://www.dcu.org/>) directly links to the DBA website (<http://dcufinancial.org/new/dcufinancial/>) under the Credit Union's "investments" tab.
68. In comparing the Credit Union's website and DCU Financial's website, the Credit Union's trade name "DCU" is prominently displayed at the top of the Credit Union's website.
69. "DCU" is also prominently displayed at the top of DCU Financial's website.
70. Not only do both websites stylize "DCU" in an identical manner, DCU Financial's website uses the Credit Union's trademark as a wallpaper or backdrop.
71. DCU Financial letterhead prominently displays the "DCU" trademark.
72. This advertising goes beyond the purpose of identifying the location where brokerage services are available, and the DCU trade name appears prominently on DCU Financial's website.

2. LPL approved confusing and inconsistent LPL financial advisor business cards

73. LPL approved LPL financial advisors' confusing business cards.
74. In comparing a Credit Union employee's business card with an LPL financial advisor business card, "DCU" is again prominently displayed at the top of the LPL financial advisor's cards.
75. LPL financial advisors use business cards that prominently display a "dcu.org" email address, and use business cards that list the Credit Union's corporate address.
76. In addition, LPL financial advisors use business cards that place the disclosure about LPL in the fine print at the bottom of the card.

77. This blurring of the line between the Credit Union and LPL is yet another example of confusing information provided to investors.
78. The confusing disclosures with regards to business cards does not stop there. LPL approved two different forms of disclosure for LPL financial advisors' business cards and allowed their financial advisors to distribute inconsistent business cards.
79. One business card approved by LPL and used by Massachusetts LPL financial advisors contains disclosure that reads:

Securities and advisory services offered through LPL Financial, member FINRA/SIPC, a Registered Investment Advisors. Insurance products offered through LPL Financial or its licensed affiliates.

This disclosure does not state that the Credit Union and LPL are not affiliated. Regulatory guidance requires disclosure on advertising materials that LPL and the Credit Union are not affiliated, yet this disclosure appears nowhere in the above fine print disclosure.

80. Another different business card approved by LPL and used by Massachusetts LPL financial advisors contains disclosure that reads:

Securities and advisory services offered through LPL Financial, a Registered Investment Advisor, Member FINRA/SIPC. Insurance products offered through LPL Financial or its affiliates. Digital Federal Credit Union (DCU) and DCU Financial are not registered broker/dealers, nor are they affiliated with LPL Financial.

In the case of DCU Financial, the affiliated language is confusing. DCU Financial is a DBA used by LPL financial advisors to offer financial services and products on the Credit Union's premises. The individuals who conduct business under the name DCU Financial are LPL financial advisors.

3. LPL allowed inadequate and inconsistent branch signage on Credit Union premises

81. LPL allowed inadequate disclosure in regards to the Credit Union's branch signage. In the Littleton, Massachusetts Credit Union branch ("Littleton Branch"), the RICE Section found the only signage disclosing LPL's services was an advertisement depicting retirees on a boat out on the ocean (the "Retirement Advertisement"). The RICE Section has found the same advertisement in Credit Unions throughout Massachusetts.
82. The Retirement Advertisement contained the disclosures required by federal rules in fine print. However, the focus of Retirement Advertisement is not on the fine print, it is on the happy retirees spending their retirement out on the ocean.
83. Investors may not look at the fine print disclosures, especially because "DCU Financial" appears in larger typeface, directly to the right of the fine print on the Retirement Advertisement.
84. The Retirement Advertisement prominently displayed the Credit Union's DCU logo and trademark.
85. LPL allowed its financial advisors to conduct business on Credit Union premises at one branch location with inadequate branch signage that does not demarcate where brokerage services are offered.
86. All of the offices in the Littleton Branch are identical and use the Credit Union's color scheme, yet there is no permanent signage demarcating which area brokerage services are offered.
87. While LPL financial advisors work at the Littleton Branch, there are no signs or physical dividers separating the Credit Union's services from LPL's securities services.

88. LPL failed to ensure that it was clear as to who was offering brokerage services at the Littleton Branch. The only signage in the Littleton Branch was the Retirement Advertisement that disclosed LPL in fine print.

D. LPL ALLOWED MISLEADING STATEMENTS TO BE GIVEN TO INVESTORS ABOUT LPL FINANCIAL ADVISORS' COMPENSATION

1. Mystery Shopping

89. Two RICE Section examiners went "mystery shopping" at five Credit Union branches on January 10, 2017.
90. At the Credit Union's Acton branch, the RICE examiners spoke with an LPL financial advisor.
91. The financial advisor told the mystery shoppers that he "is a bank employee receiving a salary, he is not incentivized by fees and commissions, and therefore will be able to provide investment services to [them] in [their] best interest."
92. When the financial advisor was asked if he worked for LPL Financial, the financial advisor told the examiner that "he was an employee of DCU not LPL. The financial advisor also told the mystery shoppers that "as an employee [of] the bank, he received a salary from the bank."
93. The financial advisor also said to the RICE examiners that "some brokers may try to sell products for which they may receive a commission [...] as an employee of the bank, who receives salary from the bank, he did not have that conflict."
94. The financial advisor provided misleading statements to the RICE examiners regarding how he is compensated. The financial advisor knew he received commissions, as in his testimony to the Division he stated "I also get a draw, commission obviously, and a bonus." This is a sales practice violation by the financial advisor that was discovered by the RICE Section on the examiners' first interaction with an LPL agent at the Credit Union.

95. The financial advisor is also an investment adviser representative of LPL. As such, he owes a fiduciary duty to investors to disclose all conflicts of interest, and his statements to the RICE examiners would breach this duty.
96. LPL does not have policies and procedures to address these misleading communications, and as such it cannot detect or prevent its agents from making misleading statements to investors concerning compensation.

VI. VIOLATIONS OF LAW

Count I. LPL's Violations of MASS. GEN. LAWS ch. 110A, § 204(a)(J)

97. Section 204 of the Act provides, in pertinent part:

The secretary may by order deny, suspend, or revoke any registration if he finds (1) that the order is in the public interest and (2) that the applicant or registrant

(J) has failed reasonably to supervise agents, investment adviser representatives or other employees to assure compliance with this chapter.

98. The RICE Section realleges and incorporates the allegations of paragraphs 1 through 96 above.

99. The conduct of Respondent LPL, as described above, constitutes violations of MASS. GEN. LAWS ch. 110A, § 204(a)(J).

VII. ORDER

LPL consents to the entry of this Order,

IT IS HEREBY ORDERED:

LPL, in full and final settlement of these matters and solely for purpose of resolution of the statement of facts and alleged violation of law resulting from the RICE Section's investigation, neither admits nor denies the Statement of Facts set forth in Section V and neither admits nor denies the Violations of Law set forth in Section VI, makes the following representations, and agrees to the undertakings herein as part of this Order:

1. Respondent shall permanently cease and desist from violations of MASS. GEN. LAWS ch. 110A, § 204(a)(2)(J) in the Commonwealth;
2. Respondent is censured;
3. Respondent shall require removal of DCU from the DBA name within one hundred twenty (120) days of the entry of this signed Order issued pursuant to the Offer, and that it will be replaced with a name not so similar as to be likely to be mistaken for it, to any other firm, association or person already carrying on business in the Commonwealth, and that the DBA name will not be unacceptable to the Division;
4. Respondent shall complete, within one hundred twenty (120) days of the entry of this signed Order issued pursuant to the Offer, a comprehensive internal review of: LPL's policies, procedures, training, and/or processes as guided and informed by the allegations in the Offer, and the comprehensive internal review shall include, but not be limited to, a review of including, but not limited to:
 - a. LPL's supervision of LPL agents at the Credit Union;
 - b. LPL allowing the Credit Union to control LPL agents;

- c. LPL allowing the Credit Union to hire its own OSJ;
- d. LPL's policies and procedures regarding how the OSJ must supervise LPL agents at credit unions;
- e. LPL's review of all cash compensation received by LPL agents from sources other than LPL;
- f. LPL's review of all noncash compensation received by LPL agents;
- g. LPL allowing the Credit Union to directly and indirectly determine commission for LPL agents;
- h. LPL's inadequate procedures regarding supervising sales contests;
- i. LPL allowing the use of a DBA substantially the same as the Credit Union's name;
- j. LPL allowing inadequate signage at the Credit Union's branches;
- k. LPL allowing inadequate disclosure on LPL agents' business cards;
- l. LPL allowing incomplete and inaccurate information to be given to investors concerning who LPL agents provide securities services on behalf of; and
- m. LPL allowing misleading information to be given to investors concerning how LPL agents are compensated.

LPL shall, in connection with the comprehensive internal review:

- a. Submit a report to the RICE Section containing the findings of the comprehensive internal review (the "Report") within one hundred fifty (150) days of the entry of a signed Order issued pursuant to this Offer. The Report shall include, but not be limited to, a description of the review performed, the conclusions reached, and LPL's recommendations, for changes in or improvements to the policies and

procedures of LPL, and a procedure for implementing the recommended changes in or improvements in Massachusetts to those policies and procedures;

- b. The Report's recommendations shall not be unacceptable to the RICE Section, provided that the RICE Section shall not unreasonably withhold its consent of those recommendations; and
 - c. If LPL's recommendations are not unacceptable to the RICE Section, LPL shall promptly adopt all recommendations contained in the Report.
5. Within five business days of the entry of this Order, Respondent shall pay a fine in the amount of \$1,000,000 (one million dollars) to the Commonwealth of Massachusetts. Payment shall be: (1) made by United States postal money order, certified check, bank cashier's check, bank money order, or wire transfer; (2) made payable to the Commonwealth of Massachusetts; and (3) either hand-delivered or mailed to One Ashburton Place, Room 1701, Boston, Massachusetts 02108 or wired per the Division's instructions; and (4) submitted under cover letter or other documentation that identifies Respondent making the payment and the docket number of the proceedings. Respondent shall also provide the Division with notice twenty-four hours prior to the payment;
6. Respondent shall not claim, assert, or apply for a tax deduction or tax credit with regard to any state, federal or local tax for any amounts that Respondent shall pay pursuant to this Order;
7. Respondent shall not seek or accept, directly or indirectly, reimbursement or indemnification, including, but not limited to, any payments made pursuant to any insurance policy, with regard to any amount that Respondent shall pay pursuant to this Order;
8. Respondent agrees that, upon the issuance of this Order consistent with the Offer, if it fails to

comply with any of the terms set forth in this Order, the RICE Section may institute an action to have this agreement declared null and void. Upon issuance of an appropriate order and after a fair hearing, the RICE Section may re-institute an action against Respondent; and

9. At the request of the Respondent, the Division may extend, for good cause shown, any of the procedural dates set forth above.

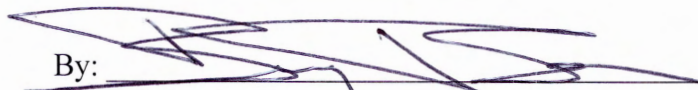
VIII. NO DISQUALIFICATION

This Order waives any disqualification in the Massachusetts laws, or rules or regulations hereunder, including any disqualifications from relying upon the registration exemptions or safe harbor provisions to which LPL or any of its affiliates may be subject. This Order is not intended to form the basis of any disqualification under Section 3(a)(39) of the Securities Exchange Act of 1934, Rule 262(a) of Regulation A, or Rules 504(b)(3) or 506(d)(1) of Regulation D under the Securities Act of 1933. This Order issued is not intended to form the basis of disqualification under the FINRA rules prohibiting continuance in membership absent the filing of a MC-400A application or disqualification under the SRO rules prohibiting continuance in membership. This Order is not intended to form a basis of a disqualification under Section 204(a)(2) of the Uniform Securities Act of 1956 or Section 412(d) of the Uniform Securities Act of 2002.

Except in an action by the Division to enforce the obligations of this Order, any acts performed or documents executed in furtherance of this Order: (a) may not be deemed or used as an admission of, or evidence of, the validity of any alleged wrongdoing, liability, or lack of any wrongdoing or liability; or (b) may not be deemed or used as an admission of, or evidence of, any such alleged fault or omission of LPL in any civil, criminal, arbitration, or administrative

proceeding in any court, administrative agency, or other tribunal.

**WILLIAM FRANCIS GALVIN
SECRETARY OF THE COMMONWEALTH**



By:

Bryan J. Lantagne
First Deputy, Secretary of State
Director, Massachusetts Securities Division
Massachusetts Securities Division
One Ashburton Place, Room 1701
Boston, MA 02108

Dated: May 4th, 2017